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Washington, June 26--Plans to provide the Secretary of Defense with a stronger and more efficient management structure, including a new and separate civilian-managed Defense Supply and Service Administration, are outlined by a committee of eminent citizens in a report which has been approved by the Commission on Organization of the Executive Branch of the Government. The report, which contains 19 recommendations, nine of which Defense Department officials can put into effect on their own authority and ten which require legislation, will be submitted to the Congress tomorrow.

Various task force groups that have analyzed the operations of the department for the Hoover Commission have estimated that upwards of \$2,000,000,000 a year could be saved from improvements in organization that have been recommended.

The new department would furnish only common supply, commercial-type items and services and would be expected to eliminate much of the waste, duplication and inefficiency which have already been disclosed in many of the studies made for the Commission by task forces and subcommittees. As an additional "operating arm of the Department of Defense, subject to policy direction and coordination by the office of Secretary of Defense in the same manner as the three military departments," it would "serve all departments equally in purchasing, inventory control and distribution."

The head of the new department, under the committee's recommendation, would be designated as administrator and would be an appointee of the President. "In addition to other advantages," the committee says, "a common supply and service agency would provide a supply system more quickly expandable in wartime without need of drastic reorganization, remove commercial-type operations from the military departments and thereby free professional military personnel of unnecessary administrative burdens."

The committee also recommends that the Secretary of Defense create within his office a "civilian position invested with sufficient stature and authority to insure the establishment and maintenance of effective planning and review of military requirements."

Another major recommendation is that the Secretary of Defense "emphasize the management areas of logistics, research and development, personnel and finance, and should re-group certain functions under assistant secretaries to strengthen coordination."

"It is through these four management areas," the committee says, "that the Secretary must exercise his responsibility for the effective and economical utilization of defense assets--human, physical and financial." Responsibility in these fields would be assigned to four "management assistant secretaries," reporting to the Secretary.

The committee that made the broad study of the Defense Department is headed by Charles R. Hook, Chairman of the Board of the Armco Steel Corporation. The Hoover Commission in indorsing the Hook committee's report describes it as "so succinct that it cannot be condensed." "This Commission," it adds, "has but one recommendation. We indorse the recommendations of the Committee on Business Organization of the Department of Defense." Including members of the

Hook committee, subcommittees and task forces, "more than 100 men distinguished in their business and professions have taken part in this study, its findings and recommendations," the Commission points out.

"Because national survival is at stake," the Hook committee says, "cost cannot be the primary factor. In the words of a prominent flag officer, 'our military people are not hired primarily to see how little they can get along with; they are hired primarily to seek to get enough material to meet their responsibilities.'"

The committee points out, however, that "the most obvious opportunity to make real savings in the cost of Government is in the Department of Defense because it has three-fourths of the Government's payroll and more than 60 per cent of its total budget."

Many of the weaknesses discovered in the Defense Department are due, the Commission says, "to the expansion of the military services in 20 years from a civilian personnel of about 140,000 to 1,180,000 and a military personnel of 250,000 to nearly 3,000,000. Many of these systems, efficient in the smaller dimensions of the past, are inefficient today. Many of these faulty systems are encumbered by traditions, admirable enough at one time but not adapted to the immense business problems of today. Many of these faulty systems arise from static laws from other days which create roadblocks to effective improvement."

"When our task forces," the Commission says, "point out examples of the workings of these outmoded systems, it is for the purpose of illustration and not in criticism of officials or departments or agencies. These officials have struggled manfully with these tangles and have brought about many improvements. Considering the difficulties under which they labor, the Defense Department is better administered than might be expected."

The Hook committee in enlarging upon its recommendation for a Defense Supply and Service Administration draws attention to previous unsuccessful efforts to establish an effective unified supply system. Examples of waste, over-buying, duplication and inefficiency have been shown in reports and studies made by task forces and subcommittees for the Hoover Commission covering such subjects as food and clothing, transportation, surplus property, depot utilization and business enterprises in the Department of Defense. Information in these reports was drawn upon by the Hook committee in its overall study and appraisal of the Defense Department.

The committee also cites Congressional dissatisfaction with the failure to comply with its mandate for a unified system. The House Committee on Government Operations conducted hearings last May on the Commission's report on food and clothing, it is pointed out. "In these hearings," the Hook committee says, "Congressional spokesmen strongly restated the desire of Congress, as embodied in law, for the integration of supply support, and the extreme dissatisfaction with the 'consistent pattern of resistance by the military departments' to such integration."

"In the face of this accumulating evidence, this committee," it says, "has concluded that a definitive program must be outlined which will eliminate duplicate stocks, facilities, distribution and overhead personnel."

The new department is expected ultimately to manage expenditures of from \$6,000,000,000 to \$8,000,000,000 annually, or about 25 per cent of the defense budget.

The fact must be recognized, the committee says, that the proposed new department "will not cure all of the waste and inefficiency in the defense supply system." "The Committee wishes to emphasize," it adds, "that this is only one

of the vital steps required. Between 50 and 75 per cent of procurement expenditures probably will always remain in the three military departments. Thus, the many other fundamental improvements which have been proposed in task force reports should be vigorously pursued under the watchful eye of Congress."

The Hook committee recommends that Congress "should instruct the Secretary of Defense to report semi-annually on progress being made in improving all phases of the supply and logistics system." Such reports, the committee says, should deal specifically with the simplification of purchasing procedures, progress toward the completion of the defense catalogue, or general inventory list; installation of inventory reporting systems; rational stock levels upon which to base replenishment action; reduction in quantity and variety of items carried at depots; improvement in traffic management; improvement in utilization of warehousing and storage facilities; development of complete, timely and objective procurement plans and reduction or elimination of facilities and business enterprises which can be handled by private enterprise.

The Hook committee suggests that the initial Defense Supply and Service organization be formed by transferring necessary personnel and facilities from the military departments. "Here it is envisioned," the committee says, "that the Administrator establish a series of commodity divisions, each responsible for a related group of items which lend themselves to integrated management. In addition, the agency would be responsible for the storage and issue of those commodities throughout the wholesale depot system, both in the United States and overseas. The Administrator should have discretion in utilizing the most efficient distribution system, including the use of commercial facilities.

"Another facet of the agency's mission would be to provide common services which meet specified criteria. The committee has made a preliminary review of a number of basic services which might be considered and suggests that the first to be incorporated be hospitals (general and specialized). This conclusion is bolstered by the finding of the task force on medical services."

"While there are many commercial-type activities administered by the military departments which," the committee says, "would qualify for inclusion in the Administration, attention should first be given to reducing or eliminating those which can be handled by private industry, following the principles advocated by the Subcommittee on Business Enterprises."

The Department of Defense, which is the largest organization of Government, consumes one-seventh of the national income, according to the Hook committee. The Department employs 4,300,000 people, or more than twice the manpower of the country's ten largest corporations combined. Its assets, real and personal, approximate \$140,000,000,000, which is equal to the value of all privately-owned land in the United States. Its activities extend throughout the 48 states, to 16,000 cities and abroad to 52 other countries."

The studies by a separate task force on procurement, the Hook committee points out, reveal "important deficiencies in defense planning." "The Secretary of Defense and the three departmental Secretaries," the Committee says in its summary of this task force's findings, "are not conducting a sufficiently penetrating analysis and review of defense requirements."

"Guidance furnished the military departments for basic procurement planning," the Committee further says in its summary of the task force studies, "is inadequate because of weaknesses in unified military planning. The primary causes for these weaknesses are the sheer difficulty of the task; the

inevitable partisanship of the Joint Chiefs of Staff; their lack of time for planning; their reluctance to share the planning task with the Assistant Secretaries of Defense and others; and the reluctance of civilian Secretaries to assume responsibilities on military planning.

"Insufficient consideration has been given to the industrial feasibility of military plans. While fiscal controls have been vigorously employed, such controls, though important, are not an effective substitute for orderly planning. Requirements computation practices in the departments suffer from excessive detail, inadequate knowledge of usage, and insufficient coordination with research and development activities."

One of the committee's major recommendations is that the Secretary of Defense define more clearly the responsibilities of his military and civilian executives in the supply and procurement field to prevent the encroachment of either group upon the functions of the other. The committee discovered "vagueness in the assignment of responsibility for support activities between the military Chiefs of Staff and the civilian executives." "The committee has concluded," it says, "that a much clearer blueprint is desirable to clarify and strengthen the role of the assistant secretaries in each military department."

"Regardless of organization structure," the committee points out, "it must be recognized that the ultimate purpose of the military departments is to keep our nation in a state of preparedness for war and to conduct military operations in the event of war. This principle means that the top military executives plan and request the materiel, services, facilities and specialist personnel they consider necessary to support the operating forces. However, military requirements must be evaluated and given final approval by the departmental secretaries and the Secretary of Defense (with the assistance of their secretariats), the President and the Congress.

"Furthermore, the military chiefs of staff must have direct authority over tactical and combat-related support activities performed by the logistics organization such as training of personnel for tactical operations."

"The Secretary of Defense," the committee says in its recommendation, "should define the relationship of the military chief of staff to the support activities as that of: (1) planning and requesting the materiel, services, facilities and specialized personnel required to support the operating forces subject to the review and approval of the secretariat; and (2) exercising direct authority over tactical and combat-related support activities performed by the logistics organization."

"Whereas the military chief of staff, under the proposed definition," the committee further says, "is responsible for stating what he needs, how much, when and where, the assistant secretary for logistics should be responsible for review of how much and for execution, which means how and how well the operations of the support activities are conducted.

"It is in this phase of Department of Defense work that civilian executives with business and industrial experience can make their most important contribution. It is here, also, that defense programs must be closely geared with the nation's industrial capacity."

The Committee recommends that the Secretary of Defense assign to the assistant secretary for logistics in each department direct management control over supply and service activities.

The committee also recommends that the Secretary of Defense assign clear responsibility for the coordination of research and development programs to an assistant secretary for research and development in each department. Such assistant secretary, the committee says, "must have a clearly established

role in coordinating this phase of support work." "This means," it adds, "that he must have a comprehensive knowledge of, and strong influence over, both research and development and applications engineering within his department. He must also take the leadership in reviewing research and development budgets and in approving departmental plans for the obligation of funds (with authority to recommend to his Secretary the withholding of funds for any development project), as well as in personnel management and in the improvement of organization and procedures within his assigned area."

"Four obstacles," the Hook committee says, "are impeding close and productive working relationships among top defense executives." These obstacles are listed as follows:

"First, decisions and information do not flow freely from the Joint Chiefs of Staff to the Assistant Secretaries of Defense. Thus, a weakness exists in top defense management which deprives our nation of the intended benefits of full civilian participation in the formulation and execution of national defense plans and programs.

"Second, the assignment of responsibilities among members of the secretariat in the office of the Secretary of Defense impedes effective coordination. This is due to the numerous inter-relationships among the functions for which these executives are responsible. Further, there is a lack of similarity in assignments to the Assistant Secretaries in the office of the Secretary of Defense and in the military departments.

"Third, the responsibilities of the Assistant Secretaries in the military departments differ significantly in nature and scope—a condition which complicates coordination and understanding between each department and the office of the Secretary of Defense and among the departments themselves.

"Fourth, responsibility for the management of support activities is not clearly defined between the principal military and the principal civilian executives."

The Committee says it "has concluded that the desired relationship between the Joint Chiefs of Staff and the Assistant Secretaries of Defense can be brought about only by the direct exercise of the Secretary's authority." "No other member of his present executive group, including the Chairman of the Joint Chiefs of Staff," the Committee adds, "is in a position to achieve adequate coordination."

"The total management job in the office of the Secretary of Defense," the Committee asserts, "has been subdivided in a manner which creates problems of coordination among some of the Assistant Secretaries (particularly in the areas of supply, facilities, research and applications engineering). Furthermore, the present organization results in awkward working relationships with the military departments, since it is more elaborate than the Secretariats within the three departments where actual operations are performed."

"The studies of the Commission, including those of this committee, called attention to the need for better integration and stronger administration in the office of the Secretary of Defense."

"The conclusions of the Hoover Commission task forces and subcommittees underscore the need," the Hook committee says, "for continuing improvements in the organization of the Department of Defense to accomplish three objectives:

"First, clear and unchallenged direction of the entire defense establishment by the Secretary of Defense, the Secretaries of the three military departments and their secretariats.

"Second, logical delegation of responsibilities to the members of the secretariats so that each has a manageable set of duties and adequate authority to carry them out."

"Third, close team-work among all members of the top executive organization, including the members of the secretariats and those responsible for the military command of the operating forces."

The Hook committee defines as follows the responsibilities which it recommends the Secretary of Defense assign to four "management assistant secretaries":

"Assistant Secretary for Logistics. Responsibility covering materiel and services, including functions now assigned to the Assistant Secretary (Supply and Logistics), the Assistant Secretary (Properties and Installations), and the Assistant Secretary (Health and Medical).

"Assistant Secretary for Research and Development. Responsibilities of the present Assistant Secretary (Research and Development) and the present Assistant Secretary (Applications Engineering).

"Assistant Secretary for Personnel. Responsibilities now assigned to the Assistant Secretary (Manpower and Personnel), but with increased attention to career development.

"Assistant Secretary for Financial Management. Responsibilities now assigned to the Assistant Secretary (Comptroller), but with increased attention to accounting policies and practices."

"Each of the management assistant secretaries," the Committee says, "should be responsible for, but not limited to:

"Formulating the policies that shall prevail throughout the functional area for which he is responsible;

"Screening requirements and participating in the formulation, and continuing review of budgets for activities under his jurisdiction;

"Prescribing the data required to evaluate the effectiveness of operations and establishing reporting processes that will insure a regular flow of needed information;

"Appraising the effectiveness of the organization and operations of subordinate organizational units; and

"Approving the selection and appointment of key officials and participating in the development of career support managers.

"In addition to the improvements which will result from a more logical grouping of management responsibilities, the Committee urges recognition of the importance of providing capable career assistants to each member of the Secretariat." Its recommendation is that the Secretary of Defense appoint a "principal career assistant to each Assistant Secretary of Defense of such stature and competence that continuity of administration will be improved."

"Furthermore," the Committee says, "it is believed that continuity will be improved by having staff positions in the Office of the Secretary of Defense increasingly filled by trained career specialists."

"The responsibilities proposed for the management Assistant Secretaries of Defense establish logical assignments for the administration of logistics, research and development, personnel and finance," the Committee says. "Corresponding assignments of management responsibility in the Secretariats of the three military departments will facilitate communication and working relationships between the departments and the Office of the Secretary of Defense.

"The duties of the departmental Assistant Secretaries are far from uniform today. It is recommended, therefore, that the Secretary of Defense take the following action:

"Revise the assignments of departmental Assistant Secretaries to secure a uniform grouping of management responsibilities similar to that proposed for the four management Assistant Secretaries of Defense.

"The principles of the proposed plan are:

"With respect to logistics, it is recommended that the Assistant

Secretary assigned to this function concentrate his full attention on materiel, facilities, and services, and that, in addition, his authority over support activities be strengthened.

"With respect to research and development, it is recommended that a separate Assistant Secretary be appointed in each department, with strong coordination over research and development programs within his department.

"With respect to financial management, the Assistant Secretary responsible for this function should have exclusive supervision over (or be) the departmental Comptroller.

"With respect to personnel, it is proposed that present assignments be continued and strengthened.

"The management responsibilities of the above department Assistant Secretaries should parallel those of the Assistant Secretaries of Defense, including appropriate participation by each in personnel management, financial management, and in developing improvements in organization and major procedures.

"Career assistants. Each Assistant Secretary should be aided by a principal career assistant, as proposed earlier for the Assistant Secretaries of Defense."

The Committee recognizes that in order to accomplish the foregoing assignments, additional departmental Assistant Secretaries may be needed, and recommends that, if so, the Secretary of Defense should seek the necessary legislative authority.

Commissioners James A. Farley and Chet Holifield in separate statements approved the report with qualifications. Commissioners Styles Bridges and John L. McClellan expressed reservations on recommendations 8 through 11.

Commissioner Clarence J. Brown dissented on recommendations 8 through 11.